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**GENERAL FUND FINANCING**

County general fund operations are financed with four major types of financing sources: departmental program revenue, Proposition 172 revenue, realignment revenue, and countywide discretionary revenue.

Departmental program revenue includes fees, service charges, and state and federal support for programs such as welfare, health care, and behavioral health. Proposition 172 revenue is restricted and is used solely for financing the Sheriff, District Attorney, and Probation departments. Realignment revenue is also restricted and used in financing mental health, social services and health programs within the County.

The balance of departmental costs not funded by departmental program revenue, Proposition 172 revenue, and/or realignment revenue is considered local cost. Local cost is funded by countywide discretionary revenue, such as property tax.

Any countywide discretionary revenue not distributed to departments via local cost is placed in contingencies. Every year the County of San Bernardino has set aside a prudent dollar amount in contingencies and reserves for two purposes. One is to ensure that the county can accommodate unforeseen increases in expenditures or reductions in revenues, or other extraordinary events, which would harm the fiscal health of the county. Second is to be proactive and set aside funds to meet future known obligations or to build a reserve for large capital projects.

The following pages describe in more detail Proposition 172 revenue, realignment revenue, and countywide discretionary revenue that assists in financing general fund departments. In addition, detailed information is included on the sources and uses of county general fund reserves and contingencies for 2004-05 and planned sources and uses of general fund contingencies and reserves for 2005-06.

**PROPOSITION 172**

Proposition 172 (Prop. 172), which became effective January 1, 1994, placed a one-half percent sales tax rate in the state's constitution and required that revenues from the additional one-half percent sales tax be used only for local public safety activities, which include but are not limited to sheriffs, police, fire protection, county district attorneys, and county corrections. Funding from Prop. 172 enabled counties and cities to substantially offset the public safety impacts of property tax losses resulting from the state property tax shift to the Educational Revenue Augmentation Fund (ERAF).

The one-half percent sales tax imposed by Prop. 172 is collected by the state and apportioned to each county based on its proportionate share of statewide taxable sales. Pursuant to Government Code 30055, of the total Prop. 172 revenue allocated to San Bernardino County, 5% is distributed to cities affected by the property tax shift and 95% remains within the county.

On August 22, 1995, the County of San Bernardino Board of Supervisors (BOS) approved the recommendation that defined the following departments as the Public Safety Services designated to receive the county's 95% share of Prop. 172 revenue, consistent with Government Code Section 30052 and authorized the Auditor/Controller to deposit the county's portion of the Prop. 172 revenue as follows:

➤	Sheriff	70.0%
➤	District Attorney	17.5%
➤	Probation	12.5%

Prop. 172 revenues currently present a significant funding source for the Sheriff, District Attorney, and Probation. Each year, as part of the budget development process, projections of Prop. 172 growth are developed based on staff analysis of revenue trends and forecasts provided by outside economists.

Growth in Prop. 172 revenues is used first to fund mandated cost increases in these departments, such as inflation, MOU adjustments, or court-ordered detention facility staffing. Any revenue beyond what is needed to fund mandated costs becomes discretionary revenue to the department, which is then used to meet other high priority needs as recommended by the department and approved by the Board. In most years mandated cost increases consume the vast majority of Prop. 172 revenue growth and all Prop 172 revenue is distributed to the designated departments.

However, in 2002-03 and subsequent years unexpected increases in Prop. 172 revenue has resulted in an excess of actual over budgeted Prop. 172 revenue. All excess revenue has been set aside in a restricted general fund and is appropriated upon Board approval. The chart below illustrates the anticipated beginning and ending fund balance of this restricted general fund in 2005-06 as well as projected revenue and planned expenditures from this fund.

Although Prop. 172 budgeted revenue is increasing to \$135.0 million in 2005-06, budgeted appropriation associated with the Prop. 172 revenue is \$141.5 million due to the Sheriff utilizing \$6.0 million of their share of the excess revenue toward the purchase of the new Adelanto Detention Center and the District Attorney utilizing \$0.5 million of their share of the excess revenue toward 2005-06 MOU increases. These expenditures, offset slightly by interest earnings, result in an estimated ending fund balance of \$8.8 million.

	2005-06			
	<u>Estimated Beginning Fund Balance (AAG)</u>	<u>Budgeted Revenue</u>	<u>Budgeted Departmental Usage</u>	<u>Estimated Ending Fund Balance (AAG)</u>
Sheriff	7,901,207	94,650,000	100,500,000	2,051,207
District Attorney	4,021,320	23,665,250	24,157,892	3,528,678
Probation	<u>3,160,923</u>	<u>16,903,750</u>	<u>16,875,000</u>	<u>3,189,673</u>
Total	15,083,450	135,219,000	* 141,532,892	8,769,558

\* Includes interest earnings estimate of \$219,000



## **REALIGNMENT**

In 1991 the state shifted responsibility for a number of mental health, social services, and health programs to counties. This shift, known as Realignment, resulted in the creation of two dedicated funding streams to pay for the shifted services: a ½ cent Sales Tax and a change in the depreciation schedule for vehicles which resulted in a 24.33% increase in Vehicle License Fee (VLF) revenues. Each of the three service areas identified was required to have their own separate accounts established and each of those service areas receive a different share of statewide Realignment revenues.

Within the mental health area, the programs for which the county is now responsible are: community-based mental health programs, State Hospital services for county patients, and Institutions for Mental Disease. Within the social services area, the programs for which the county is now responsible are: the county revenue stabilization program and the county justice subvention program. Within the health area, the programs for which the county is now responsible are: AB8 county health services, local health services, medically indigent services, and the county medical services program.

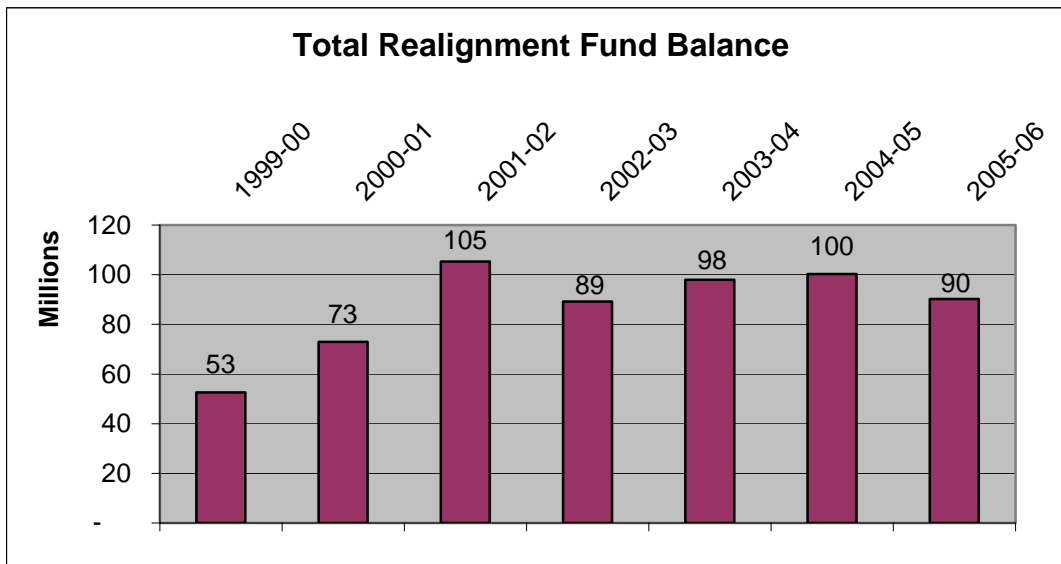
In addition to these program responsibility shifts, a number of programs had changes made to their cost sharing ratios. Below are the programs involved in the cost sharing ratio changes (numbers are shown in percentages in the order of state/county shares of cost). For example, prior to realignment Foster Care costs were funded by 95% state resources and 5% county resources. Now Foster Care is funded by 40% state resources and 60% county resources, which is a significant impact to the county.

	From State/County	To State/County
<b>Social Services programs:</b>		
Foster Care	95/5	40/60
Child Welfare Services	76/24	70/30
Adoption Assistance	100/0	75/25
CalWORKs	89/11	95/5
County Services Block Grant	84/16	70/30
Greater Avenues for Independence	100/0	70/30
Social Services administration	50/50	70/30
In Home Supportive Services (IHSS)	97/3	65/35
<b>Health programs:</b>		
California Children's Services	75/25	50/50

The Realignment program has some flaws in its design that adversely impact County of San Bernardino revenues. First, is San Bernardino's status as an "under equity county," meaning that the county receives a lesser share of revenue relative to other counties based on population and estimated poverty population. Revenue distributions among counties were determined by expenditures in the programs that were transferred just prior to the adoption of Realignment. San Bernardino County was under equity in those programs. Realignment did attempt to address the inequity issue, but the effort fell short. The county continues to be under equity at this time and barring any legislative action the amount of inequity will increase over time. As growth occurs in the revenue streams, that incremental new funding is distributed on existing sharing arrangements between the counties. The counties that are already over equity get a higher percentage of the new revenue while those that are under equity get less.

In addition to the under equity issue is the fact that the demand for the services the county is providing and the revenue streams funding them are both sensitive to the economy. When the economy is doing well, demand for services is reduced and sales taxes and vehicle license fees revenues are high. When the economy does poorly, demand for services is high, but revenues under perform. The realignment funds recovered from earlier difficulties and built up a substantial available fund balance which peaked at the end of the 2001-02 year, as seen in the graph on the following page.





In the 2002-03 year, those fund balances began to be depleted as revenues shrank, demand for services increased, and expenses increased. In 2003-04, fund balance increased because the allocation to Arrowhead Regional Medical Center (ARMC) was \$14.1 million dollars less than anticipated due to ARMC's increased insurance revenues and improved collections. In 2004-05, fund balance is anticipated to increase due to a lower than anticipated need in Mental Health as a result of the financial plan implemented to align expenditures with ongoing revenues. In 2005-06, all three funds are drawing down their fund balance. The Departments of Behavioral Health and ARMC are incurring one-time expenditures to draw down fund balance while the departments using the Social Services realignment revenue need to use fund balance to keep up with ongoing expenditures.

Of note in this graph is that the fund balance ending 2005-06 at the far right is 56.5% Health fund balance, 38.4% Mental Health fund balance, and only 5.1% Social Services fund balance.

**Budget History for All Realignment Funds**

	<b>ACTUAL 2003-04</b>	<b>BUDGET 2004-05</b>	<b>ESTIMATE 2004-05</b>	<b>PROPOSED 2005-06</b>
Beginning Fund Balance	89,155,754	95,906,647	97,973,811	100,340,706
Revenue	182,506,555	183,229,554	186,643,937	194,837,344
Department Usage	173,688,498	195,133,856	184,277,042	204,962,160
Ending Fund Balance	97,973,811	84,002,345	100,340,706	90,215,890
Change in Fund Balance	8,818,057	(11,904,302)	2,366,895	(10,124,816)

Revenue is expected to increase year-over-year, primarily as a result of sales tax growth. It is important to note that for the foreseeable future all sales tax growth will accrue to the Social Services fund to pay for mandated caseload increases for which funding was unavailable in prior years. This will adversely affect the Mental Health and Health funds since they will see no increase in sales tax revenue until sales tax growth is sufficient to fund the additional caseload costs in Social Services.



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**SUMMARY OF REALIGNMENT BUDGET UNITS FOR 2005-06**


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	<b>Estimated Beginning Fund Balance</b>	<b>Budgeted Revenue</b>	<b>Budgeted Departmental Usage</b>	<b>Budgeted 10% Transfers</b>	<b>Estimated Ending Fund Balance</b>	<b>Estimated Change in Fund Balance</b>
Mental Health	37,177,129	60,265,645	62,806,720	-	34,636,054	(2,541,075)
Social Services	8,983,261	74,259,986	78,622,355	-	4,620,892	(4,362,369)
Health	54,180,316	60,311,713	63,533,085	-	50,958,944	(3,221,372)
Total	100,340,706	194,837,344	204,962,160	-	90,215,890	(10,124,816)

The Realignment budgets do not directly spend funds or provide service. They are strictly financing budgets with the actual expenditures occurring within the operating budget units of the departments that receive Realignment revenue.

The Realignment legislation does allow for some flexibility in usage of funds at the county level. Upon action by the Board of Supervisors, a county can transfer 10% of a given years revenue from one fund to another. San Bernardino County has used the provision repeatedly over the years to help support either the health or social services programs. The County does not anticipate a 10% transfer in 2004-05 and is not budgeting one for 2005-06. However, in the event that such transfer is needed, Board of Supervisors approval is required.

The next three pages contain the breakdown of the three individual realignment funds.

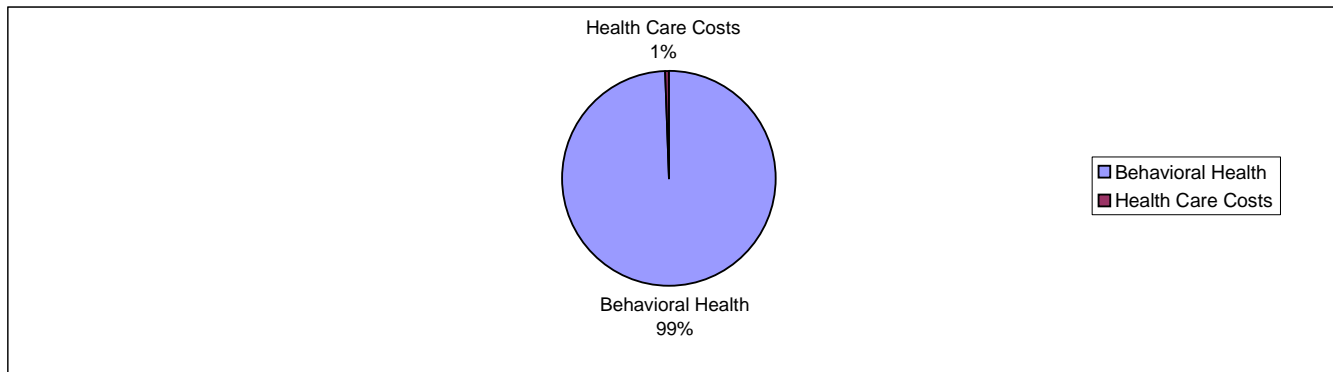
<b>Mental Health</b>
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	<b>ACTUAL 2003-04</b>	<b>BUDGET 2004-05</b>	<b>ESTIMATE 2004-05</b>	<b>PROPOSED 2005-06</b>
Beginning Fund Balance	32,374,045	27,737,929	27,954,082	37,177,129
Revenue	56,819,906	55,626,137	58,239,363	60,265,645
Department Usage	61,239,869	56,123,885	49,016,316	62,806,720
10% Transfers	-	-	-	-
Ending Fund Balance	27,954,082	27,240,181	37,177,129	34,636,054
Change in Fund Balance	(4,419,963)	(497,748)	9,223,047	(2,541,075)

Mental Health fund revenue is composed of approximately 59% sales tax and 41% VLF. Revenue is expected to climb slowly since any growth in sales tax will be dedicated to Social Services to fund caseload growth. In conjunction with the County Administrative Office, the Behavioral Health Department developed a financing plan in 2004-05 to significantly reduce expenditures in an effort to bring department usage in line with revenues. As seen in the table above, this plan has been successful in reducing fund balance used from \$4,419,963 in 2003-04, to an estimated savings of \$9,223,047 in 2004-05, and a budgeted used of \$2,541,075 in 2005-06, of which \$2.2 million is for one-time expenditures. Implementation of this plan has significantly improved the financial position of the Mental Health fund.

<b>Breakdown of Department Usage of Mental Health Realignment</b>
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	<b>ACTUAL 2003-04</b>	<b>BUDGET 2004-05</b>	<b>ESTIMATE 2004-05</b>	<b>PROPOSED 2005-06</b>
Behavioral Health	60,994,179	55,800,627	48,898,513	62,490,106
Health Care Costs	245,690	323,258	117,803	316,614
Total Department Usage	61,239,869	56,123,885	49,016,316	62,806,720



<b>Social Services</b>
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	<b>ACTUAL 2003-04</b>	<b>BUDGET 2004-05</b>	<b>ESTIMATE 2004-05</b>	<b>PROPOSED 2005-06</b>
Beginning Fund Balance	18,382,037	12,207,706	13,906,298	8,983,261
Revenue	67,526,697	70,931,212	69,358,213	74,259,986
Department Usage	72,002,436	83,891,709	74,281,250	78,622,355
10% Transfers	-	-	-	-
Ending Fund Balance	13,906,298	(752,791)	8,983,261	4,620,892
Change in Fund Balance	(4,475,739)	(12,960,497)	(4,923,037)	(4,362,369)

Social Services fund revenue is composed of approximately 96.0% sales tax and 4.0% VLF. Social services revenue has been particularly hard hit by the poor performance of statewide sales tax collection. Actual sales tax collection has been insufficient to keep up with rising costs in the mandated programs.

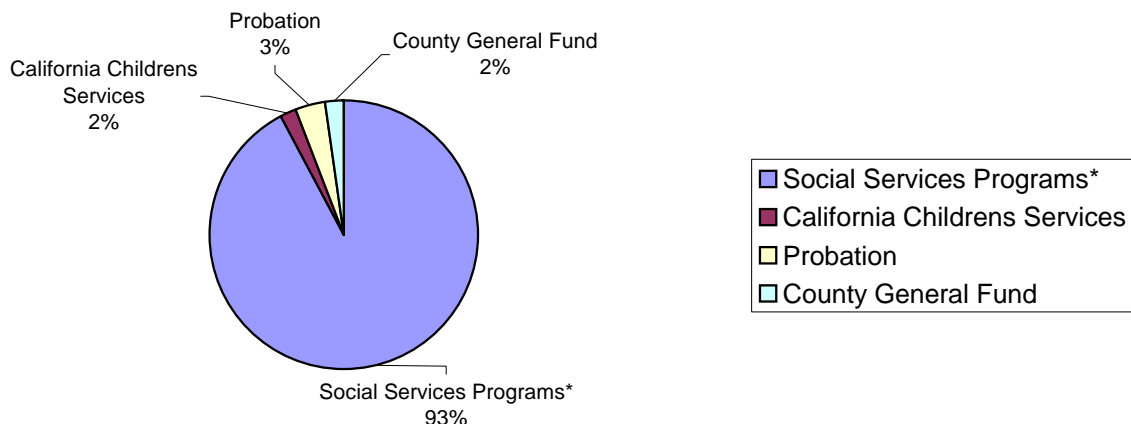
In last year's projection it was anticipated that Social Services would require additional general fund support in the 2004-05 year; however, due to a higher than anticipated beginning fund balance and less than budgeted expenditure estimates from Foster Care and Probation, it appears that Social Services need for additional support is not necessary this year.

In 2005-06, the departments usage is decreasing due to an additional local cost allocation of \$4.0 million to help offset caseload cost increases and because the department anticipates a significant reduction in IHSS costs (5.0 million) due to the Federal Waiver. Nevertheless, Social Services is still drawing down its fund balance on ongoing expenditures.

<b>Breakdown of Department Usage of Social Services Realignment</b>
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	<b>ACTUAL 2003-04</b>	<b>BUDGET 2004-05</b>	<b>ESTIMATE 2004-05</b>	<b>PROPOSED 2005-06</b>
Social Services Programs*	68,726,596	76,754,038	71,211,131	72,584,684
California Childrens Services	1,476,840	1,538,041	1,271,119	1,538,041
Probation	-	3,800,630	-	2,700,630
County General Fund	1,799,000	1,799,000	1,799,000	1,799,000
Total Department Usage	72,002,436	83,891,709	74,281,250	78,622,355

\* Soc. Svcs. Programs include: IHSS, Foster Care, Seriously Emotionally Disturbed, and Administrative Claim Matches



<b>Health</b>
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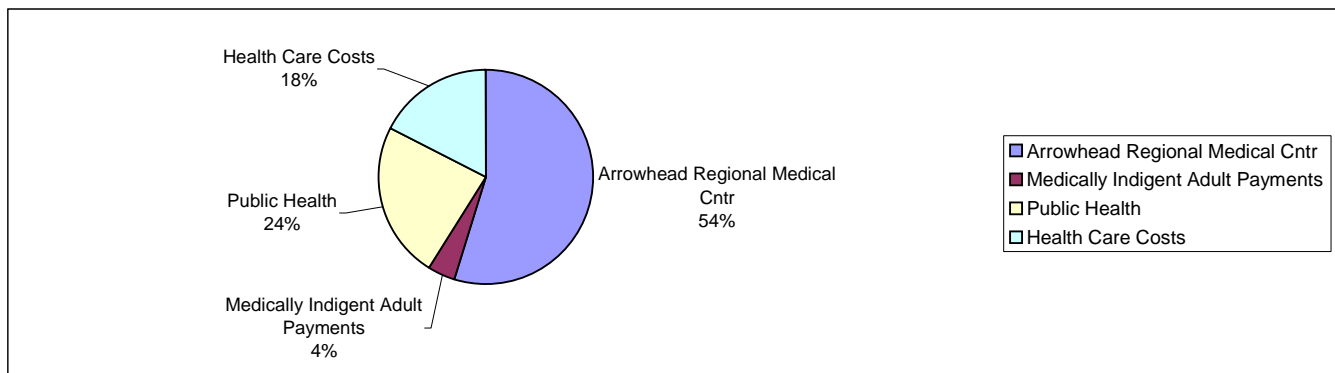
	<b>ACTUAL 2003-04</b>	<b>BUDGET 2004-05</b>	<b>ESTIMATE 2004-05</b>	<b>PROPOSED 2005-06</b>
Beginning Fund Balance	38,399,672	55,961,012	56,113,431	54,180,316
Revenue	58,159,952	56,672,205	59,046,361	60,311,713
Department Usage	40,446,193	55,118,262	60,979,476	63,533,085
10% Transfers	-	-	-	-
Ending Fund Balance	56,113,431	57,514,955	54,180,316	50,958,944
Change in Fund Balance	17,713,759	1,553,943	(1,933,115)	(3,221,372)

Health realignment revenue is composed of approximately 27.4% sales tax and 72.6% VLF. Within Health, department usage in the past was brought into line with ongoing revenue by not providing realignment increases to pay for rising salary and benefit costs. However, due to the significant salary and benefits costs increases estimated for 2005-06 and the unavailability of other funding sources to keep up with these cost increases, an allocation increase was provided to both ARMC and Public Health. Furthermore, ARMC's usage reflects a one-time expenditure of \$3.3 million for the remodel of the Behavioral Health inpatient unit into Medical Surgical beds and for enhancements in Information Technology infrastructure.

Other programs funded by Health realignment are Medically Indigent Adult (MIA) Payments and Health Care Costs. The MIA budget funds payments to non-county hospitals for treatment of MIA patients. The Health Care Costs budget unit helps pay for the ARMC debt service. In 2004-05, a retroactive adjustment resulted in reduced SB 1732 revenue to fund lease payments causing a one-time increase in Realignment usage in the Health Care Costs budget of approximately \$6.7 million, which was partially reduced by salary savings of \$0.2 million.

<b>Breakdown of Departmental Usage of Health Realignment</b>
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	<b>ACTUAL 2003-04</b>	<b>BUDGET 2004-05</b>	<b>ESTIMATE 2004-05</b>	<b>PROPOSED 2005-06</b>
Arrowhead Regional Medical Cntr	13,933,600	28,000,000	28,000,000	34,820,000
Medically Indigent Adult Payments	2,550,000	2,550,000	2,550,000	2,550,000
Public Health	13,726,094	14,078,852	13,486,065	14,995,159
Health Care Costs	10,236,499	10,489,410	16,943,411	11,167,926
Total Department Usage	40,446,193	55,118,262	60,979,476	63,533,085



**Budgetary Note:** Financial information presented in this Realignment budget section is consistent with state reporting requirements for the Realignment funds. The state's reporting requirements are not consistent with the county's implementation of GASB 34 as it relates to revenue accrual. As such, within the county's accounting system, an adjustment will be made to show the correct revenues in accordance with the county's accrual procedures. This is a revenue timing issue only as a result of delays by the state in distributing growth revenue.

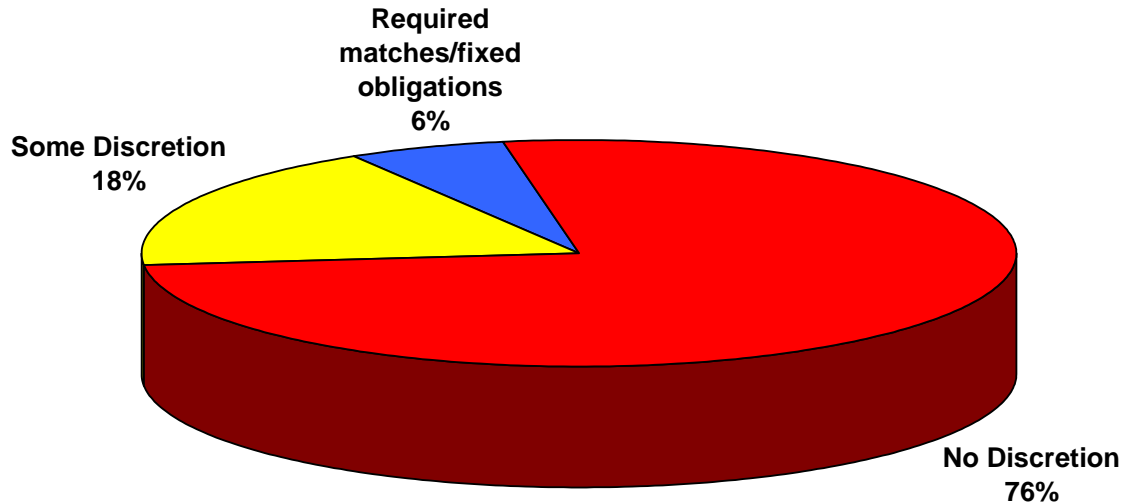




**COUNTYWIDE DISCRETIONARY REVENUE**

The entire general fund budget is \$2.1 billion, however, the Board of Supervisors has no discretion on \$1.6 billion of this amount as seen in this pie chart.

## 2005-06 Proposed Budget General Fund Spending



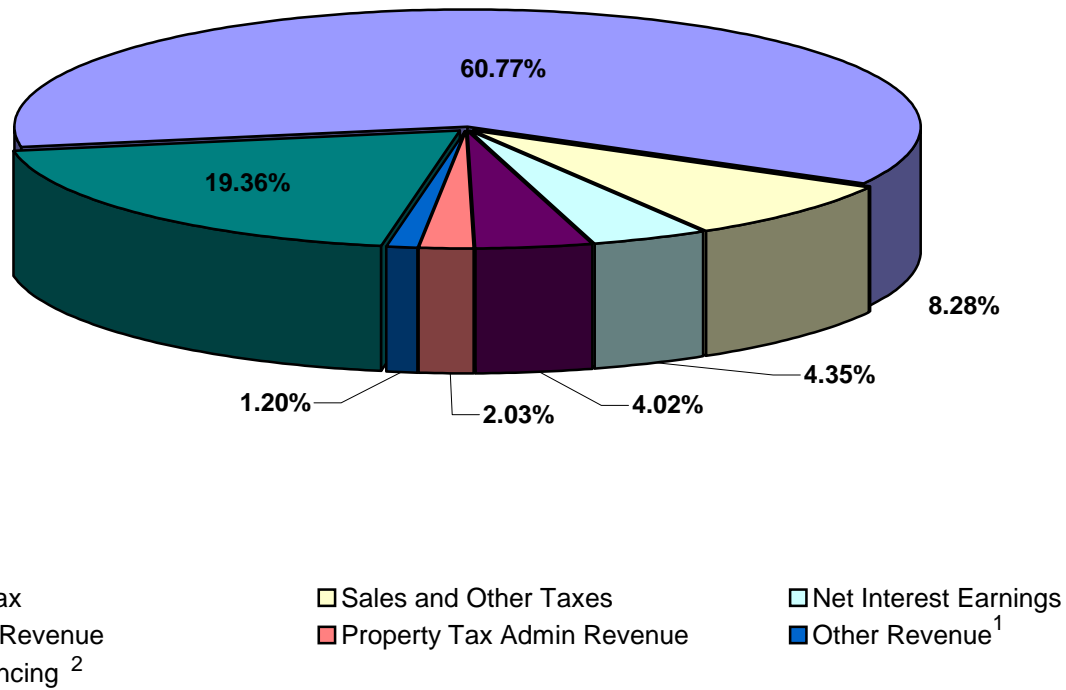
<b>SPENDING WHERE THE BOARD HAS NO DISCRETION. INCLUDES:</b>		<b>1,605,223,153</b>
Welfare costs reimbursed by state and federal monies (\$763.1 million)		
Other program costs funded by program revenues such as user fees (\$842.1 million)		
<b>REQUIRED HEALTH AND WELFARE MATCHES AND OTHER FIXED OBLIGATIONS:</b>		<b>123,177,266</b>
<b>SPENDING WHERE THE BOARD HAS SOME DISCRETION. INCLUDES:</b>		<b>379,882,054</b>
Reserve / Contingencies Contributions (\$74.0 million)		
Law and justice program costs funded by local revenues (\$203.9 million)		
All other program costs funded by local revenues (\$102.0 million)		
<b>TOTAL:</b>		<b>\$2,108,282,473</b>

The Board of Supervisors has authority over the countywide discretionary revenue, which totals \$503,059,320. This countywide discretionary revenue is first obligated to pay for the required health and welfare matches and other fixed obligations, which total \$123,177,266. The remaining amount of \$379,882,054 is available for the Board's discretion and finances departmental budgets' local cost.



Shown below are the sources of the countywide discretionary revenue for 2005-06, which total \$503,059,320:

### Discretionary Revenue by Category 2005-06 Proposed Budget



1. Other Revenue Includes: Booking Fees and Other State and Federal Aid.

2. Other Financing Includes: Fund Balance, Use of Reserves, and Operating Transfers.



## COUNTYWIDE DISCRETIONARY REVENUES WHICH PAY FOR GENERAL FUND LOCAL COST

	2004-05 Final Budget	2004-05 Estimate	2005-06 Proposed Budget
<b>Net Non-departmental Revenue</b>			
Property Taxes:			
Current Secured, Unsecured, Unitary	137,207,735	130,044,936	139,341,353
VLF Property Tax Swap	-	126,424,920	148,442,703
Supplementals	5,275,827	8,746,613	8,746,613
Penalty on Current Taxes	1,135,599	1,938,095	1,938,095
Prior Property Taxes, Penalties and Interest	5,366,233	7,222,648	7,222,648
<b>Total Property Taxes</b>	<b>148,985,394</b>	<b>274,377,212</b>	<b>305,691,412</b>
Sales and Other Taxes:			
Sales and Use Tax	17,371,802	17,956,522	18,758,333
Property Transfer Tax	11,906,555	14,948,345	14,948,345
Franchise Fess	5,533,000	5,533,000	6,045,934
Hotel/Motel Tax	1,176,978	1,176,978	1,176,978
Other Taxes	545,455	700,000	700,000
<b>Total Sales and Other Taxes</b>	<b>36,533,790</b>	<b>40,314,845</b>	<b>41,629,590</b>
Vehicle License Fees	129,971,160	-	-
Net Interest Earnings	16,351,000	22,404,762	21,872,000
COWCAP Revenue	19,661,157	19,661,158	20,228,548
Property Tax Admin Revenue	10,651,703	9,921,500	10,219,145
Booking Fee Revenue	3,937,000	3,937,000	-
State and Federal Aid	3,619,799	3,541,064	3,593,326
Other Revenue	2,430,000	2,581,238	2,430,000
<b>Subtotal</b>	<b>372,141,003</b>	<b>376,738,779</b>	<b>405,664,021</b>
<b>Other Financing</b>			
Fund Balance, beginning	88,029,109	88,029,109	72,044,372
Use of Reserves	1,154,301	5,276,202	1,006,102
Operating Transfers	27,738,406	27,783,406	24,344,825
<b>Subtotal</b>	<b>116,921,816</b>	<b>121,088,717</b>	<b>97,395,299</b>
<b>TOTAL</b>	<b>489,062,819</b>	<b>497,827,496</b>	<b>503,059,320</b>

### Property Taxes

The most significant source of county local cost financing is property tax. The county's share of property tax for 2005-06 is estimated to be \$305.7 million. The dramatic change in this revenue source from the 2004-05 final budget is attributable to three major causes:

- The elimination of the vehicle license fee (VLF) backfill in the 2004-05 State budget, resulted in a corresponding increase in the county's share of property tax revenues. This revenue exchange is expected to increase property tax revenues by \$148.4 million over the 2004-05 budgeted amount.
- The county's share of the two-year \$1.3 billion local government contribution of property tax revenues to the State. This results in decreased property tax revenues of \$16.4 million in both 2004-05 and 2005-06. However, the \$16.4 million reduction is not reflected in the 2004-05 Final Budget, as the actual impact was not known at the time the budget was adopted. This reduction is reflected in both the 2004-05 year end estimate and the 2005-06 proposed budget amounts.



- An increase in property tax revenues based on an estimated 9.1% increase to secured assessed valuation (\$18.8 million over 2004-05 final budget) and unsecured and unitary tax rolls that are flat to current year end estimates (a \$0.3 million decrease from 2004-05 final budget). Supplemental taxes are also expected to remain flat to current year end estimates (\$3.5 million over 2004-05 final budget). Changes have been calculated based on 2004-05 year end estimates.

### **Sales and Other Taxes**

In addition to property tax, the county is authorized to collect other types of taxes in the unincorporated areas. Sales and use taxes are projected to increase 6.8% over 2004-05 year-end estimates, less estimated losses due to potential annexations. Property transfer taxes, which have risen dramatically due to rising home prices and sales volume activity, are expected to remain flat to the current year-end estimates. Franchise taxes, which are collected primarily from utility company and cable TV revenue, are projected to grow 7.8%, offset by projected revenue losses due to the wildfires in the fall of 2003.

### **Vehicle License Fees**

Motor vehicle in-lieu tax is based on vehicle registration fees and new car sales statewide. The vehicle license fee (VLF) backfill was eliminated in the 2004-05 State budget, and the majority of the remaining VLF revenues are directed to the Realignment funds. This leaves only a minimal amount remaining to allocate to cities and counties. The amounts allocable to cities and counties are being sent only to cities.

### **Net Interest Earnings**

Net interest earnings for 2005-06 are projected at \$21.9 million. The increase in this revenue source is attributable to an estimated increase in interest earnings on the treasury pool and increased interest and penalty proceeds from the Teeter program.

### **COWCAP (County-Wide Cost Allocation Plan)**

Various state and federal grants permit the county to claim certain overhead costs against them. In addition, most fee supported general fund departments and taxing entities, such as the library and Board-governed special districts, are charged for indirect costs incurred in the general fund on their behalf. Reimbursement for indirect costs reflects those recovered allowable costs included in the 2005-06 countywide cost allocation plan (COWCAP).

### **Property Tax Admin Revenue**

Property Tax Administration revenue consists of:

- SB 813 cost reimbursement, which represents allowable charges for administration and operation of the supplemental property tax program. This reimbursement is tied directly to the performance of supplemental property tax revenue.
- The property tax administrative fee, which the legislature provided to allow counties to recover the cost of the property assessment and tax collection process from certain other local jurisdictions. This revenue is tied directly to the cost of that collection effort.

### **Booking Fee Revenue**

Beginning in 2005-06, counties will be permitted to charge cities and special districts one-half of the actual administrative costs associated with booking and processing of arrestees, however the cities and special districts will no longer be backfilled by the state. Since the new rules on booking fees may affect the county's ability to continually receive this revenue, it has not been budgeted for 2005-06.

### **State and Federal Aid**

State and Federal aid consists of a payment from the welfare realignment trust fund, which replaced the state revenue stabilization program, and SB90 reimbursements from the state. It also includes revenues received from the Federal government's Payment in Lieu of Taxes (PILT) program. Under current law, local governments are compensated through various programs for losses to their tax bases due to the presence of most federally owned land. PILT for the county is budgeted to increase slightly over 2004-05 revenues.



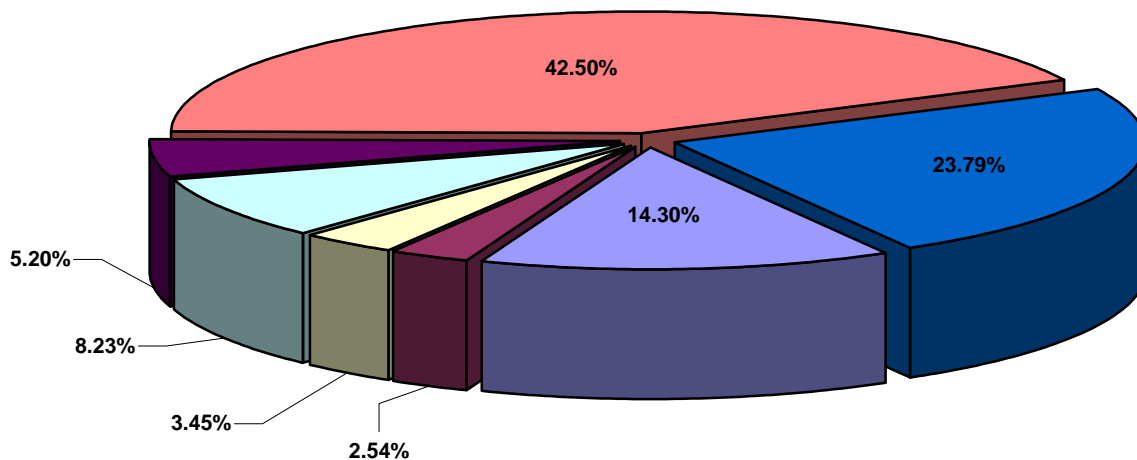
### Other Revenue

Other revenue includes overhead charges recovered through city law enforcement contracts with the Sheriff's Department, voided warrants issued by the county, projected transfers of unclaimed property tax refunds to the general fund, the county share of vehicle code violation revenue, and other miscellaneous revenues.

### Other Financing

Estimated year-end fund balance is \$72.0 million. Planned reserve uses include \$0.7 million of the Equity Pool reserve and \$0.3 of the Law and Justice Southwest Border Patrol Initiative reserve. Operating transfers include transfers in to the county general fund from the Courthouse and Criminal Justice Construction funds, Solid Waste Management, and the use of \$18.9 million of the tobacco settlement funds, of which \$15.0 million is to be applied towards the Arrowhead Regional Medical Center Debt Service.

**Local Cost by Group  
2005-06 Proposed Final Budget**



- ADMINISTRATIVE EXECUTIVE GROUP
- ECONOMIC DEVELOP/PUBLIC SERVICES GROUP
- FISCAL GROUP
- HUMAN SERVICES SYSTEM
- INTERNAL SERVICES GROUP
- LAW AND JUSTICE GROUP
- OTHER ALLOCATED COSTS<sup>1</sup>

1. Allocated Costs Include: Contingencies, Reserve Contributions, and Operating Transfers Out.

Countywide discretionary revenues are allocated to various county departments as local cost. The above pie chart shows what percentage of the local cost is allocated to each of the groups.

The schedule on the following pages shows a comparison of prior year local cost and current year local cost by department. This schedule also includes appropriations and revenues, including operating transfers, which are mechanisms to move financing between the various county budget units. Operating transfers are presented in the following chart because the intended purpose is to provide a complete picture of the department's appropriation and revenues. Operating transfers are excluded from the countywide appropriation and revenue summaries presented in the beginning of this section, as their inclusion would overstate countywide appropriations and revenues on a consolidated basis.





Department Title	2004-05 Final Budget:			2005-06 Proposed Budget:			Change Between 2004-05 Final & 2005-06 Proposed:		
	Appropriation	Revenue	Local Cost	Appropriation	Revenue	Local Cost	Appropriation	Revenue	Local Cost
BOARD OF SUPERVISORS (ALL DISTRICTS)	3,583,001	0	3,583,001	5,039,972	0	5,039,972	1,456,971	0	1,456,971
LEGISLATIVE COSTS	439,898	0	439,898	452,315	0	452,315	12,417	0	12,417
CLERK OF THE BOARD	931,404	66,500	864,904	956,234	79,875	876,359	24,830	13,375	11,455
COUNTY ADMINISTRATIVE OFFICE	3,232,502	0	3,232,502	3,319,218	0	3,319,218	86,716	0	86,716
COUNTY ADMINISTRATIVE OFFICE-LITIGATION	363,681	0	363,681	363,681	0	363,681	0	0	0
COUNTY ADMINISTRATIVE OFFICE-JOINT POWERS LEASES	22,537,293	0	22,537,293	20,737,293	0	20,737,293	(1,800,000)	0	(1,800,000)
COUNTY COUNSEL	8,577,085	5,256,611	3,320,474	8,716,731	5,256,611	3,460,120	139,646	0	139,646
HUMAN RESOURCES	5,380,631	302,500	5,078,131	5,503,409	302,500	5,200,909	122,778	0	122,778
HUMAN RESOURCES-EMPLOYEE HEALTH AND WELLNESS	35,000	35,000	0	101,600	101,600	0	66,600	66,600	0
HUMAN RESOURCES-UNEMPLOYMENT INSURANCE	4,000,000	0	4,000,000	4,000,000	0	4,000,000	0	0	0
INFORMATION SERVICES-EMERGING TECHNOLOGY	1,447,618	245,320	1,202,298	0	0	0	(1,447,618)	(245,320)	(1,202,298)
INFORMATION SERVICES-SYSTEMS DEVELOPMENT	9,342,373	3,755,256	5,587,117	12,384,113	5,468,678	6,915,435	3,041,740	1,713,422	1,328,318
HEALTH CARE COSTS	135,812,669	120,812,669	15,000,000	156,520,540	141,520,540	15,000,000	20,707,871	20,707,871	0
BEHAVIORAL HEALTH	114,699,507	112,856,754	1,842,753	125,648,995	123,806,242	1,842,753	10,949,488	10,949,488	0
BEHAVIORAL HEALTH-ODP	20,577,850	20,428,392	149,458	19,085,440	18,935,982	149,458	(1,492,410)	(1,492,410)	0
PUBLIC HEALTH	76,224,425	75,572,315	652,110	81,063,921	80,044,539	1,019,382	4,839,496	4,472,224	367,272
CALIFORNIA CHILDREN'S SERVICES	12,713,007	11,174,966	1,538,041	13,934,654	12,396,613	1,538,041	1,221,647	1,221,647	0
AMBULANCE REIMBURSEMENTS	472,501	0	472,501	472,501	0	472,501	0	0	0
LOCAL AGENCY FORMATION COMMISSION	154,000	0	154,000	180,000	0	180,000	26,000	0	26,000
COUNTY SCHOOLS	2,775,264	0	2,775,264	2,235,087	0	2,235,087	(540,177)	0	(540,177)
<b>ADMINISTRATIVE/EXECUTIVE GROUP SUBTOTAL:</b>	<b>423,299,709</b>	<b>350,506,283</b>	<b>72,793,426</b>	<b>460,715,704</b>	<b>387,913,180</b>	<b>72,802,524</b>	<b>37,415,995</b>	<b>37,406,897</b>	<b>9,098</b>
ASSESSOR	12,518,341	658,412	11,859,929	12,951,425	647,500	12,303,925	433,084	(10,912)	443,996
AUDITOR-CONTROLLER	14,647,191	12,486,168	2,161,023	15,092,861	13,107,615	1,985,246	445,670	621,447	(175,777)
TREASURER-TAX COLLECTOR	16,605,989	14,296,283	2,309,706	18,229,673	14,955,679	3,273,994	1,623,684	659,396	964,288
<b>FISCAL GROUP SUBTOTAL:</b>	<b>43,771,521</b>	<b>27,440,863</b>	<b>16,330,658</b>	<b>46,273,959</b>	<b>28,710,794</b>	<b>17,563,165</b>	<b>2,502,438</b>	<b>1,269,931</b>	<b>1,232,507</b>
ARCHITECTURE AND ENGINEERING	566,758	0	566,758	585,320	0	585,320	18,562	0	18,562
FACILITIES MANAGEMENT DEPARTMENT	11,813,001	5,572,292	6,240,709	13,659,061	6,211,352	7,447,709	1,846,060	639,060	1,207,000
UTILITIES	15,647,049	0	15,647,049	16,390,667	0	16,390,667	743,618	0	743,618
PURCHASING	1,073,018	35,000	1,038,018	1,093,119	35,000	1,058,119	20,101	0	20,101
REAL ESTATE SERVICES	2,213,960	1,549,650	664,310	2,358,774	1,549,650	809,124	144,814	0	144,814
RENTS	208,652	0	208,652	211,592	45,912	165,680	2,940	45,912	(42,972)
<b>INTERNAL SERVICES GROUP SUBTOTAL:</b>	<b>31,522,438</b>	<b>7,156,942</b>	<b>24,365,496</b>	<b>34,298,533</b>	<b>7,841,914</b>	<b>26,456,619</b>	<b>2,776,095</b>	<b>684,972</b>	<b>2,091,123</b>
COUNTY TRIAL COURTS-DRUG COURT PROGRAMS	491,957	491,957	0	503,459	503,459	0	11,502	11,502	0
CTC - GRAND JURY	204,359	0	204,359	316,921	0	316,921	112,562	0	112,562
COUNTY TRIAL COURTS- INDIGENT DEFENSE	8,704,969	0	8,704,969	8,104,078	0	8,104,078	(600,891)	0	(600,891)
COUNTY TRIAL COURTS-COURT FAC/JUDICIAL BENEFITS	2,034,597	0	2,034,597	1,847,440	0	1,847,440	(187,157)	0	(187,157)
COUNTY TRIAL COURTS-MAINTENANCE OF EFFORT	35,725,112	25,088,622	10,626,490	35,725,112	25,088,622	10,626,490	0	0	0
DISTRICT ATTORNEY-CRIMINAL	38,899,528	23,481,734	15,417,794	44,542,095	27,905,201	16,636,894	5,642,567	4,423,467	1,219,100
DISTRICT ATTORNEY-CHILD ABDUCTION	807,087	0	807,087	843,475	0	843,475	36,388	0	36,388
LAW & JUSTICE GROUP ADMINISTRATION	127,740	5,000	122,740	379,229	255,000	124,229	251,489	250,000	1,489
PROBATION-ADMIN/COMM CORRECTIONS	35,876,996	22,884,596	12,992,400	44,193,495	27,366,950	16,826,545	8,316,499	4,482,354	3,834,145
PROBATION-COURT ORDERED PLACEMENTS	5,382,883	0	5,382,883	2,926,330	0	2,926,330	(2,456,553)	0	(2,456,553)
PROBATION-DETENTION CORRECTIONS	44,827,870	13,366,748	31,461,122	46,928,252	16,535,894	30,392,358	2,100,382	3,169,146	(1,068,764)
PUB ADMIN/PUB GUARDIAN/CONSERVATOR/CORONER	5,509,433	1,147,521	4,361,912	0	0	0	(5,509,433)	(1,147,521)	(4,361,912)
PUBLIC DEFENDER	20,358,388	250,000	20,108,388	23,461,140	700,000	22,761,140	3,102,752	450,000	2,652,752
SHERIFF	280,605,166	192,124,726	88,480,440	331,920,883	226,991,413	104,929,470	51,315,717	34,866,687	16,449,030
<b>LAW AND JUSTICE GROUP SUBTOTAL:</b>	<b>479,556,085</b>	<b>278,850,904</b>	<b>200,705,181</b>	<b>541,691,909</b>	<b>325,356,539</b>	<b>216,335,370</b>	<b>62,135,824</b>	<b>46,505,635</b>	<b>15,630,189</b>



Department Title	2004-05 Final Budget:			2005-06 Proposed Budget:			Change Between 2004-05 Final & 2005-06 Proposed		
	Appropriation	Revenue	Local Cost	Appropriation	Revenue	Local Cost	Appropriation	Revenue	Local Cost
ECON DEV/PUBLIC SERVICES GROUP ADMINISTRATION	59,876	0	59,876	59,876	0	59,876	0	0	0
AIRPORTS	2,503,423	2,468,134	35,289	2,553,961	2,553,961	0	50,538	85,827	(35,289)
AGRICULTURE, WEIGHTS AND MEASURES	5,301,606	3,552,266	1,749,340	5,463,815	3,554,951	1,908,864	162,209	2,685	159,524
MUSEUMS	3,829,730	2,315,417	1,514,313	3,698,682	2,217,317	1,481,365	(131,048)	(98,100)	(32,948)
ECD-ECONOMIC PROMOTION	991,122	0	991,122	808,963	0	808,963	(182,159)	0	(182,159)
ECD-SMALL BUSINESS DEVELOPMENT	156,214	0	156,214	160,062	0	160,062	3,848	0	3,848
LAND USE SERVICES - CURRENT PLANNING	2,461,076	2,461,076	0	2,770,701	2,770,701	0	309,625	309,625	0
LAND USE SERVICES-ADVANCED PLANNING	3,387,890	2,263,881	1,124,009	3,444,907	2,259,002	1,185,905	57,017	(4,879)	61,896
LAND USE SERVICES-BUILDING AND SAFETY	7,387,219	7,387,219	0	8,514,274	8,514,274	0	1,127,055	1,127,055	0
LAND USE SERVICES-CODE ENFORCEMENT	3,027,404	582,690	2,444,714	3,571,082	678,000	2,893,082	543,678	95,310	448,368
LAND USE SERVICES-FIRE HAZARD ABATEMENT	2,169,641	2,169,641	0	2,317,738	2,317,738	0	148,097	148,097	0
PUBLIC WORKS-REGIONAL PARKS	7,521,062	6,129,148	1,391,914	7,101,236	5,904,700	1,196,536	(419,826)	(224,448)	(195,378)
PUBLIC WORKS-SURVEYOR	3,613,235	3,563,368	49,877	3,992,079	3,792,569	199,510	378,844	229,211	149,633
REGISTRAR OF VOTERS	3,416,632	740,744	2,675,888	4,976,121	2,257,000	2,719,121	1,559,489	1,516,256	43,233
FRANCHISE ADMINISTRATION	311,701	0	311,701	317,261	0	317,261	5,560	0	5,560
<b>ECON DEVELOPMENT/PUBLIC SERVICES SUBTOTAL:</b>	<b>46,137,831</b>	<b>33,633,574</b>	<b>12,504,257</b>	<b>49,750,758</b>	<b>36,820,213</b>	<b>12,930,545</b>	<b>3,612,927</b>	<b>3,186,639</b>	<b>426,288</b>
AGING AND ADULT SERVICES	8,184,557	8,184,557	0	8,836,239	8,836,239	0	651,682	651,682	0
PUBLIC GUARDIAN	0	0	0	844,100	765,255	78,845	844,100	765,255	78,845
CHILD SUPPORT SERVICES	41,478,447	38,694,021	2,784,426	39,527,043	39,527,043	0	(1,951,404)	833,022	(2,784,426)
ADMINISTRATIVE CLAIM	323,382,345	310,052,303	13,330,042	333,606,141	317,118,021	16,488,120	10,223,796	7,065,718	3,158,078
CHILD ABUSE /DOMESTIC VIOLENCE	1,411,699	1,411,699	0	1,507,439	1,507,439	0	95,740	95,740	0
ENTITLEMENT PAYMENTS (CHILD CARE)	82,397,695	82,397,695	0	85,905,228	85,905,228	0	3,507,533	3,507,533	0
CHILDRENS OUT OF HOME CARE	367,618	0	367,618	367,618	0	367,618	0	0	0
AID TO ADOPTIVE CHILDREN	25,193,425	23,987,882	1,205,543	30,863,005	29,396,811	1,466,194	5,669,580	5,408,929	260,651
AFDC-FOSTER CARE	100,802,968	87,328,206	13,474,762	104,436,782	89,700,112	14,736,670	3,633,814	2,371,906	1,261,908
REFUGEE CASH ASSISTANCE	100,000	100,000	0	100,000	100,000	0	0	0	0
CASH ASSISTANCE - IMMIGRANTS	1,053,030	1,053,030	0	856,993	856,993	0	(196,037)	(196,037)	0
CALWORKS-FAMILY GROUP	196,029,188	191,128,458	4,900,730	218,489,279	213,837,725	4,651,554	22,460,091	22,709,267	(249,176)
KINGAP PROGRAM	4,556,185	3,793,024	763,161	4,818,510	4,036,410	782,100	262,325	243,386	18,939
AID FOR SERIOUSLY EMOTIONALLY DISTURBED	3,794,651	3,063,342	731,309	5,242,905	4,262,503	980,402	1,448,254	1,199,161	249,093
CALWORKS-2 PARENT FAMILIES	15,072,908	14,694,577	378,331	16,419,500	16,029,361	390,139	1,346,592	1,334,784	11,808
AID TO INDIGENTS	1,361,560	342,470	1,019,090	1,446,420	370,256	1,076,164	84,860	27,786	57,074
VETERANS AFFAIRS	1,145,928	299,667	846,261	1,195,333	331,117	864,216	49,405	31,450	17,955
<b>HUMAN SERVICES SYSTEM SUBTOTAL:</b>	<b>806,332,204</b>	<b>766,530,931</b>	<b>39,801,273</b>	<b>854,462,535</b>	<b>812,580,513</b>	<b>41,882,022</b>	<b>48,130,331</b>	<b>46,049,582</b>	<b>2,080,749</b>
<b>SUBTOTAL:</b>	<b>1,830,619,788</b>	<b>1,464,119,497</b>	<b>366,500,291</b>	<b>1,987,193,398</b>	<b>1,599,223,153</b>	<b>387,970,245</b>	<b>156,573,610</b>	<b>135,103,656</b>	<b>21,469,954</b>
CONTINGENCIES	109,326,898	0	109,326,898	62,037,423	0	62,037,423	(47,289,475)	0	(47,289,475)
RESERVE CONTRIBUTIONS	3,390,532	0	3,390,532	21,403,093	0	21,403,093	18,012,561	0	18,012,561
FINANCIAL ADMINISTRATION	6,000,000	0	6,000,000	6,000,000	0	6,000,000	0	0	0
OPERATING TRANSFERS OUT	9,845,098	0	9,845,098	31,648,559	0	31,648,559	21,803,461	0	21,803,461
<b>TOTAL ALLOCATED COSTS:</b>	<b>128,562,528</b>	<b>0</b>	<b>128,562,528</b>	<b>121,089,075</b>	<b>0</b>	<b>121,089,075</b>	<b>(7,473,453)</b>	<b>0</b>	<b>(7,473,453)</b>
<b>GRAND TOTAL:</b>	<b>1,959,182,316</b>	<b>1,464,119,497</b>	<b>495,062,819</b>	<b>2,108,282,473</b>	<b>1,599,223,153</b>	<b>509,059,320</b>	<b>149,100,157</b>	<b>135,103,656</b>	<b>13,996,501</b>



## **CONTINGENCIES**

The County Contingency account includes the following elements:

### **Mandatory Contingencies**

Board Policy requires the county to maintain an appropriated contingency fund to accommodate unanticipated operational changes, legislative impacts or other economic events affecting the county's operations, which could not have reasonably been anticipated at the time the budget was prepared. Funding is targeted at 1.5% of locally funded appropriations.

### **Contingencies - Priority District and Program Needs**

An annual base allocation of \$2,000,000 is set aside for priority district and program needs. Any amounts unspent in this contingencies account at the end of a fiscal year rolls forward into the next fiscal year.

### **Contingencies – Ongoing Set-Asides**

The county budget process differentiates between ongoing and one-time revenue sources. Ongoing set-asides represent ongoing sources of financing that have been targeted for future ongoing program needs.

### **Contingencies – Uncertainties**

Any unallocated financing available from current year sources (both ongoing and one-time) that has not been set-aside and any fund balance carried over from the prior year, is budgeted in the contingencies for uncertainties. Final budget action includes a provision that allocates any difference between estimated and final fund balance to this contingencies account.

	<b>Contingencies</b>			
	<b>2004-05</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2005-06</b>
	<b>Beginning</b>	<b>Approved</b>	<b>Recommended</b>	<b>Proposed</b>
	<b>Balance</b>	<b>Contributions/ Uses</b>	<b>Additional Contributions</b>	<b>Budget</b>
<b>Contingencies</b>				
<b>One-time</b>				
Mandatory Contingencies (1.5% of Locally Funded Appropriations)	5,582,115		502,845	6,084,960
Uncertainties	92,823,560	(70,006,545)	13,535,448	36,352,463
<b>Ongoing Set Asides</b>				
Future Retirement Costs	7,900,000			7,900,000
Future Financing	0	7,000,000		7,000,000
Workload Adjustments	0	2,700,000		2,700,000
<b>Transfers - Priority Policy Needs</b>	<b>3,021,223</b>	<b>(3,021,223)</b>	<b>2,000,000</b>	<b>2,000,000</b>
<b>Total Contingencies</b>	<b>109,326,898</b>	<b>(63,327,768)</b>	<b>16,038,293</b>	<b>62,037,423</b>

### **2005-06 Planned Contributions**

The base allocation to the mandatory contingency budget of \$6,084,960 is established pursuant to Board policy, based on projected locally funded appropriations of \$405.7 million.

### **2005-06 Ongoing Set-Asides**

As seen in the Reserve section below, the county has set aside a significant amount of one-time money that can assist the county temporarily for unforeseen increases in expenditure or reductions in revenues. However, there has never been any money set aside to permanently address future foreseen increases in expenditures. Beginning in 2004-05, the county positioned itself to set aside ongoing revenue sources to finance future ongoing expenditures in three different areas: retirement, future financing needs, and workload adjustments.





- **Future Retirement Costs Ongoing Set Aside:**  
For the past two years, the County has seen significant retirement cost increases and predicts additional future increases based on unfunded liabilities that have occurred primarily as a result of lower than expected market returns. The Board has set aside \$7.9 million in ongoing revenue sources to assist in financing these cost increases at a future date.
- **Future Financing Needs Ongoing Set Aside:**  
The California Department of Finance estimates the population of the County of San Bernardino will grow 24.1% between the years 2000 to 2010. Because of this predicted population growth, the demand for services provided by our county will increase significantly. To plan ahead, the Board has set aside \$7.0 million of ongoing money to address the future needs of this growing population.
- **Workload Adjustments Ongoing Set Aside:**  
For the past two or three years, the County of San Bernardino has reduced departmental budgets due to the state's financial situation and have seen non-general fund departments struggle with their financing availability. This has resulted in reduced staffing, which has affected departments' ability to provide services and in some cases created backlogs. The Board has set aside \$2.7 million to address departmental workload issues.

#### 2004-05 Contributions and Uses

As part of the 2004-05 final budget, the Board approved the mandatory contingencies in the amount of \$5,582,115, a Priority Policy and District Needs allocation of \$3,021,223, and an ongoing set-aside for Future Retirement costs of \$7,900,000. The allocation to the Contingencies for Uncertainties totaled \$92,823,560, which includes the final fund balance adjustment.

For 2004-05 mid-year Board actions have authorized the use of approximately \$74.1 million of the Contingencies for Uncertainties. Major allocations include:

- \$25.6 million in one-time funding for deferred maintenance/infrastructure projects
- \$10.1 million to reflect changes required as a result of the adoption of the final state budget
- \$8.3 million for the purchase of an office building in the City of San Bernardino
- \$6.0 million for an upgrade to the county's financial accounting system
- \$5.0 million for the modification and one time expenses related to a new jail facility in Adelanto
- \$5.2 million for the purchase of two helicopters for the Sheriff's department
- \$2.6 million in restorations of prior cuts to Public Safety which includes the restoration of 20.5 positions
- \$2.5 million to finance a wastewater treatment plant at Glen Helen Rehabilitation Center
- \$1.3 million to fund caseload adjustments for the District Attorney and Public Defender

For 2004-05 mid-year Board actions have authorized the set-aside or reserve of \$12.7 million of the Contingencies for Uncertainties as follows:

- \$7.0 million set-aside for Future Financing Needs
- \$2.7 million set-aside for Workload Adjustments
- \$3.0 million used to create a Business Process Improvement Reserve

For 2004-05 mid-year Board actions have also authorized increases of \$16.8 million in the Contingencies for Uncertainties:

- \$11.9 million to reflect upward revisions to revenue estimates
- \$4.9 million to reflect local cost savings derived from the issuance of the Pension Obligation Bonds



## **RESERVES**

The county has a number of reserves and designations that have been established over the years. Some are for specific purposes, such as to meet future known obligations or to build a reserve for capital projects. The general reserves are funds held to protect the County from unforeseen increases in expenditures or reductions in revenues, or other extraordinary events, which would harm the fiscal health of the County. On January 6, 1998, the Board of Supervisors adopted a county policy to provide guidelines and goals for reserve levels. That policy calls for the county's general purpose reserves to equal 10% of locally funded appropriations. It also anticipates establishing special purpose reserves to help meet future needs.

### **2005-06 Planned Contributions and Uses**

For 2005-06 general-purpose reserves are increased by \$3.4 million to conform to the Board policy. This increase is based on projected locally funded appropriations of \$405.7 million and brings the balance of general-purpose reserves to \$40.6 million. The Restitution Reserve is increased by \$0.5 million to set-aside settlement revenues received by the county in 2004-05 from the on-going corruption litigation. New reserves for Future Financing and Workload Adjustments are established in 2005-06, funded by on-going contingency set-asides of \$7.0 million and \$2.7 million respectively, that are expected to remain unspent at the end of 2004-05. The existing Retirement Reserve is increased by \$7.9 million, also funded by an on-going contingency set-aside that is expected to remain unspent in the current year. Uses of \$687,966 of the Equity Pool reserve are planned to fund the 2005-06 costs of approved equity adjustments. A planned use of \$318,136 of the Law and Justice Southwest Border Patrol Initiative Reserve consists of \$250,000 to fund step increases and appropriations for the Handheld Citation Capture Device grant program and \$68,136 for remaining one-time costs to implement a comprehensive, Countywide Gang Initiative.

### **Total Reserves**

	<b>2003-04</b>	<b>2004-05</b>		<b>2005-06</b>		<b>Estimated</b>
	<b>Ending</b>	<b>Approved</b>	<b>Approved</b>	<b>Recommended</b>	<b>Recommended</b>	<b>30-Jun-06</b>
	<b>Balance</b>	<b>Contributions</b>	<b>Uses</b>	<b>Contributions</b>	<b>Uses</b>	<b>Balance</b>
<b>General Purpose Reserve</b>	<b>34,823,568</b>	<b>2,390,532</b>		<b>3,352,302</b>		<b>40,566,402</b>
<b>Specific Purpose Reserves</b>						
Medical Center Debt Service	32,074,905					32,074,905
Teeter Reserve	19,260,087					19,260,087
Restitution Reserve	2,114,234		(500,000)	450,791		2,065,025
Retirement Reserve	7,000,000			7,900,000		14,900,000
Justice Facilities Reserve	3,706,437		(2,409,684)			1,296,753
West Valley Maximum Security	1,492,986					1,492,986
Equity Pool Reserve	4,381,992		(868,188)		(687,966)	2,825,838
Insurance Reserve	3,000,000					3,000,000
Electronic Voting Reserve	0	500,000				500,000
Capital Projects Reserve	4,000,000					4,000,000
Bark Beetle Reserve	1,830,300					1,830,300
Reserve for Museum's Hall of Paleontology	865,000	1,000,000	(154,195)			1,710,805
L&J SWBPI	3,405,626		(1,404,135)		(318,136)	1,683,355
Business Process Improvement Reserve		3,000,000				3,000,000
Future Financing Reserve				7,000,000		7,000,000
Workload Adjustments Reserve				2,700,000		2,700,000
<b>Total Specific Purpose</b>	<b>83,131,567</b>	<b>4,500,000</b>	<b>(5,336,202)</b>	<b>18,050,791</b>	<b>(1,006,102)</b>	<b>99,340,054</b>
<b>Total Reserves</b>	<b>117,955,135</b>					<b>139,906,456</b>



### 2004-05 Contributions and Uses

As part of the 2004-05 final budget the Board approved the use of \$1.0 of the Justice Facilities Reserve to offset a portion of the cost of the safety MOU. The Board also approved the use of \$154,301 of the Equity Pool reserve to fund the 2004-05 costs of approved equity adjustments. Planned contributions for 2004-05 included \$2.4 million to the general purpose reserve; and \$1.0 million for the Museum's Hall of Paleontology.

For 2004-05 mid-year Board actions have authorized the use of:

- \$500,000 of the Restitution Reserve to finance the cost of the county's on-going corruption litigation.
- \$1,409,684 of the Justice Facilities Reserve to fund a variety of projects including \$524,684 for the replacement of the HVAC system at the Sheriff's department scientific investigations division, \$800,000 for an HVAC project at the Central Detention Center, \$60,000 for electrical system repairs at the Glen Helen Rehabilitation Center and \$25,000 for an appraisal of the Marantha Jail Facility in Adelanto.
- \$713,887 of the Equity Pool Reserve to be spent on equity adjustments
- \$1,404,135 of the Law and Justice Southwest Border Patrol Initiative Reserve (SWBPI), \$520,403 to purchase two armored rescue vehicles, radios and computer equipment and \$883,732 to fund one-time start up costs to implement a comprehensive, Countywide Gang Initiative.
- \$154,195 of the Museum's Hall of Paleontology Reserve, to be spent on the construction of the Hall of Paleontology

For 2004-05 mid-year Board actions have authorized the increase of:

- \$500,000 to the Electronic Voting System Reserve which represents a portion of the \$2.5 million Help America Vote Act (HAVA) grant proceeds to be available for future voting system needs
- \$3,000,000 to the Business Process Improvement Reserve

The chart below shows recent history of the County Reserve levels.

	Year End Actual Balance				Estimated 2004-05	Proposed 2005-06
	2000-01	2001-02	2002-03	2003-04		
<b>Total General Purpose Reserve</b>	<b>27.4</b>	<b>30.2</b>	<b>31.9</b>	<b>34.8</b>	<b>37.2</b>	<b>40.6</b>
Specific Purpose Reserves						
Medical Center debt service	32.0	32.0	32.1	32.1	32.1	32.1
Justice facilities reserve	5.2	5.0	4.9	3.7	1.3	1.3
Juvenile maximum security reserve	1.5	1.5	1.5	1.5	1.5	1.5
Future retirement rate increase reserve	1.5	1.5	7.0	7.0	7.0	14.9
Equity Pool			1.9	4.4	3.5	2.8
Teeter		19.3	19.3	19.3	19.3	19.3
Restitution		8.9	2.1	2.1	1.6	2.0
Insurance			5.0	3.0	3.0	3.0
Electronic Voting System			5.7	-	0.5	0.5
Capital Projects Reserve			4.0	4.0	4.0	4.0
Bark Beetle			-	1.8	1.8	1.8
Museum's Hall of Paleontology				0.9	1.7	1.7
L&J Southwest Border Prosecution Initiative				3.4	2.0	1.7
Business Process Improvement Reserve					3.0	3.0
Future Financing Reserve						7.0
Workload Adjustment Reserve						2.7
<b>Total Specific Purpose Reserves</b>	<b>40.2</b>	<b>68.2</b>	<b>83.5</b>	<b>83.2</b>	<b>82.3</b>	<b>99.3</b>
<b>Total Reserves</b>	<b>67.6</b>	<b>98.4</b>	<b>115.4</b>	<b>118.0</b>	<b>119.5</b>	<b>139.9</b>

